

# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chairman*

JOSEPH E. CONNARTON, *Executive Director*

Auditor SUZANNE M. BUMP | KATHLEEN M. FALLON | KATE FITZPATRICK | JAMES M. MACHADO | ROBERT B. MCCARTHY | JENNIFER F. SULLIVAN

## MEMORANDUM

TO: Fairhaven Retirement Board

FROM: Joseph E. Connarton, Executive Director

RE: Approval of Funding Schedule

DATE: November 29, 2016

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is effective in FY17 (since the amount under the prior schedule was maintained in FY17) and is acceptable under Chapter 32. We corrected the heading of the schedule to indicate the 5.0% annual increases continue through FY30 with a final amortization payment in FY31.

The revised schedule reflects a reduction in the investment return assumption from 7.75% to 7.50% and the adoption of a fully generational mortality assumption.

The Board adopted a schedule reflecting a \$14,000 COLA base. The Board expects that the COLA base will be increased from \$13,000 to \$14,000 effective July 1, 2017. When we prepare the valuation report, we will note that the actuarial liabilities as of January 1, 2016 reflect the \$13,000 base but the funding schedule reflects a \$14,000 base.

If you have any questions, please contact PERAC's Actuary, Jim Lamenza, at (617) 666-4446, extension 921.

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Enc.



**Fairhaven Retirement System**  
**January 1, 2016**

Total appropriation increases 5.0% each year through FY30, with a final amortization payment in FY31

| <u>Fiscal</u><br><u>Year</u> | <u>Normal</u><br><u>Cost</u> | <u>Net</u><br><u>3(8)(c)</u> | <u>Amort. of</u><br><u>UAL</u> | <u>Amort. of</u><br><u>2002 ERI</u> | <u>Total</u><br><u>Cost</u> | <u>Unfunded</u><br><u>Act. Liab.</u> | <u>Total Cost</u><br><u>% Increase</u> |
|------------------------------|------------------------------|------------------------------|--------------------------------|-------------------------------------|-----------------------------|--------------------------------------|--|
| 2017                         | 927,633                      | 84,000                       | 1,808,026                      | 72,641                              | 2,892,300                   | 23,291,579                           |  |
| 2018                         | 969,376                      | 84,000                       | 1,910,898                      | 72,641                              | 3,036,915                   | 23,016,731                           | 5.0%                                   |
| 2019                         | 1,012,998                    | 84,000                       | 2,019,122                      | 72,641                              | 3,188,761                   | 22,610,682                           | 5.0%                                   |
| 2020                         | 1,058,583                    | 84,000                       | 2,205,615                      |                                     | 3,348,199                   | 22,057,838                           | 5.0%                                   |
| 2021                         | 1,106,220                    | 84,000                       | 2,325,389                      |                                     | 3,515,609                   | 21,341,139                           | 5.0%                                   |
| 2022                         | 1,155,999                    | 84,000                       | 2,451,390                      |                                     | 3,691,389                   | 20,441,932                           | 5.0%                                   |
| 2023                         | 1,208,019                    | 84,000                       | 2,583,939                      |                                     | 3,875,959                   | 19,339,833                           | 5.0%                                   |
| 2024                         | 1,262,380                    | 84,000                       | 2,723,376                      |                                     | 4,069,757                   | 18,012,585                           | 5.0%                                   |
| 2025                         | 1,319,187                    | 84,000                       | 2,870,057                      |                                     | 4,273,244                   | 16,435,900                           | 5.0%                                   |
| 2026                         | 1,378,551                    | 84,000                       | 3,024,356                      |                                     | 4,486,907                   | 14,583,281                           | 5.0%                                   |
| 2027                         | 1,440,586                    | 84,000                       | 3,186,666                      |                                     | 4,711,252                   | 12,425,845                           | 5.0%                                   |
| 2028                         | 1,505,412                    | 84,000                       | 3,357,403                      |                                     | 4,946,815                   | 9,932,117                            | 5.0%                                   |
| 2029                         | 1,573,156                    | 84,000                       | 3,537,000                      |                                     | 5,194,155                   | 7,067,818                            | 5.0%                                   |
| 2030                         | 1,643,948                    | 84,000                       | 3,725,915                      |                                     | 5,453,863                   | 3,795,630                            | 5.0%                                   |
| 2031                         | 1,717,925                    | 84,000                       | 74,943                         |                                     | 1,876,868                   | 74,943                               | -65.6%                                 |
| 2032                         | 1,795,232                    | 84,000                       |                                |                                     | 1,879,232                   | 0                                    | 0.1%                                   |

Appropriation payments assumed to be made July 1 of each fiscal year.

Normal cost assumed to increase 4.5% per year.

Assumed expenses of \$200,000

FY17 appropriation was maintained at the same level as the prior schedule.